LYNCHBURG CITY COUNCIL Agenda Item Summary

MEETING DATE: **September 9, 2003** AGENDA ITEM NO.: 19

CONSENT: REGULAR: X CLOSED SESSION: (Confidential)

ACTION: X INFORMATION:

ITEM TITLE: Public Hearing on Real Estate Tax Rate

<u>RECOMMENDATION:</u> Conduct a public hearing and readopt the current real property tax rate of \$1.11 per \$100 for FY 2004.

SUMMARY:

Due to the general reassessment conducted for FY 2004, the City is required by the Code of Virginia Section 58.1-3321 to conduct a public hearing regarding the effective increase in the real estate tax rate. City Council needs to conduct a public hearing and adopt the tax rate on September 9, 2003 to allow time to process the Land Book and get real estate tax bills to citizens within the time required by State Code prior to payment.

PRIOR ACTION(S):

May 27, 2003; Adoption of the FY 2004 Budget.

FISCAL IMPACT:

The FY 2004 adopted budget was based on a real property tax rate of \$1.11 per \$100. Reducing the tax rate to bring in the same amount of revenue as in FY 2003 would result in a tax rate of \$1.02. This rate, however, would result in a revenue shortfall in FY2004 of between approximately \$750,000 to \$1,250,000 depending on how appeals are resolved. In order to achieve the real property tax revenues anticipated for the FY2004 budget, a tax rate of between \$1.04 and \$1.06 (depending on appeals resolution) would be required. At the \$1.11 rate, real property tax revenues in excess of that budgeted for FY 2004 would be between \$1.5-2.1 million. The attached "Tax Rate Change Analysis" and graphs demonstrate this impact.

CONTACT(S): Gregory H. Daniels, CAE, City Assessor 847-1510

ATTACHMENT(S): Code of Virginia Section 58.1-3321

Advertisement for Public Hearing
Tax Rate Change Analysis and graphs

REVIEWED BY: lkp

Excerpt from the Code of Virginia

Code of Virginia § 58.1-3321. Effect on rate when assessment results in tax increase; public hearings.

- A. When any annual assessment, biennial assessment or general reassessment of real property by a county, city or town would result in an increase of 1 percent or more in the total real property tax levied, such county, city, or town shall reduce its rate of levy for the forthcoming tax year so as to cause such rate of levy to produce no more than 101 percent of the previous year's real property tax levies, unless subsection B of this section is complied with, which rate shall be determined by multiplying the previous year's total real property tax levies by 101 percent and dividing the product by the forthcoming tax year's total real property assessed value. An additional assessment or reassessment due to the construction of new or other improvements, including those improvements and changes set forth in § 58.1-3285, to the property shall not be an annual assessment or general reassessment within the meaning of this section, nor shall the assessed value of such improvements be included in calculating the new tax levy for purposes of this section. Special levies shall not be included in any calculations provided for under this section.
- B. The governing body of a county, city, or town may, after conducting a public hearing, which shall not be held at the same time as the annual budget hearing, increase the rate above the reduced rate required in subsection A above if any such increase is deemed to be necessary by such governing body.

Notice of the public hearing shall be given at least seven days before the date of such hearing by the publication of a notice in at least one newspaper of general circulation in such county or city. Such notice shall be at least the size of one-eighth page of a standard size or a tabloid size newspaper, and the headline in the advertisement shall be in a type no smaller than 18-point. The notice shall not be placed in that portion, if any, of the newspaper reserved for legal notices and classified advertisements. The notice shall be in the following form and contain the following information, in addition to such other information as the local governing body may elect to include:

NOTICE OF PROPOSED REAL PROPERTY TAX INCREASE

The (name of the county, city or town) proposes to increase property tax levies.

- 1. Assessment Increase: Total assessed value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value of real property by \dots ./t . percent.
- 2. Lowered Rate Necessary to Offset Increased Assessment: The tax rate which would levy the same amount of real estate tax as last year, when multiplied by the new total assessed value of real estate with the exclusions mentioned above, would be \$... per \$100 of assessed value. This rate will be known as the "lowered tax rate."
- 3. Effective Rate Increase: The (name of the county, city or town) proposes to adopt a tax rate of \$... per \$100 of assessed value. The difference between the lowered tax rate and the proposed rate would be \$./t... per \$100, or ... percent. This difference will be known as the "effective tax rate increase."

Individual property taxes may, however, increase at a percentage greater than or less than the above percentage.

4. Proposed Total Budget Increase: Based on the proposed real property tax rate and changes in other revenues, the total budget of (name of county, city or town) will exceed last year's by percent.

A public hearing on the increase will be held on (date and time) at (meeting place).

- C. All hearings shall be open to the public. The governing body shall permit persons desiring to be heard an opportunity to present oral testimony within such reasonable time limits as shall be determined by the governing body.
- D. The provisions of this section shall not be applicable to the assessment of public service corporation property by the State Corporation Commission.
- E. Notwithstanding other provisions of general or special law, the tax rate for taxes due on or before June 30 of each year, may be fixed on or before April 15 of that tax year.

(Code 1950, § 58-785.1; 1975, c. 622; 1979, c. 473; 1980, c. 396; 1981, c. 212; 1984, c. 675; 1990, c. 579.)

Advertisement for Public Hearing

NOTICE OF PROPOSED REAL PROPERTY TAX INCREASE

The City of Lynchburg, Virginia proposes the real property tax levies.

- 1. Assessment Increase: Total assessed value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value of real property by 8.56 percent.
- 2. Lowered Rate Necessary to Offset Increased Assessment: The tax rate which would levy the same amount of real estate tax as last year, when multiplied by the new total assessed value of real estate with the exclusions mentioned above, would be \$1.02 per \$100 of assessed value. This rate will be known as the "lowered tax rate."
- 3. Effective Rate Increase: The City of Lynchburg proposes to adopt a tax rate of \$1.11 per \$100 of assessed value. The difference between the lowered tax rate and the proposed rate would be \$.09 per \$100, or 8.1 percent. This difference will be known as the "effective tax rate increase."

Individual property taxes may, however, increase at a percentage greater than or less than the above percentage.

4. Proposed Budget Increase: Based on the proposed real property tax rate and changes in other revenues, the total budget of the City of Lynchburg will exceed last year's by 2.03 percent.

A public hearing on the increase will be held on Tuesday, September 9, 2003 at 7:30 pm, in City Council Chambers, City Hall.

LYNCHBURG CITY ASSESSOR TAX RATE CHANGE ANALYSIS

			BEST CASE	WORST CASE
		NOTICES SENT	APPEALS AS OF	FINAL APPEALS INCLUDING
LAND BOOK VALUES	July 1, 2002	July 1, 2003	August 22, 2003	EXEMPTING ERICSSON SITE
TAXABLE VALUE	\$2,824,911,085	\$3,155,517,900	\$3,149,550,800	\$3,100,000,000
TAX RATE	\$1.11	\$1.11	\$1.11	\$1.11
TAX REVENUE	\$31,356,513	\$35,026,249	\$34,960,014	\$34,410,000

BUDGET DOCUMENT	REVISED FY03ADO	PTED FY04 REV	AS OF 8/22/03
ADOPTED BUDGET TAXES	\$30,896,604	\$32,867,519	\$34,960,014
REVENUE INCREASE		6.4%	13.2%

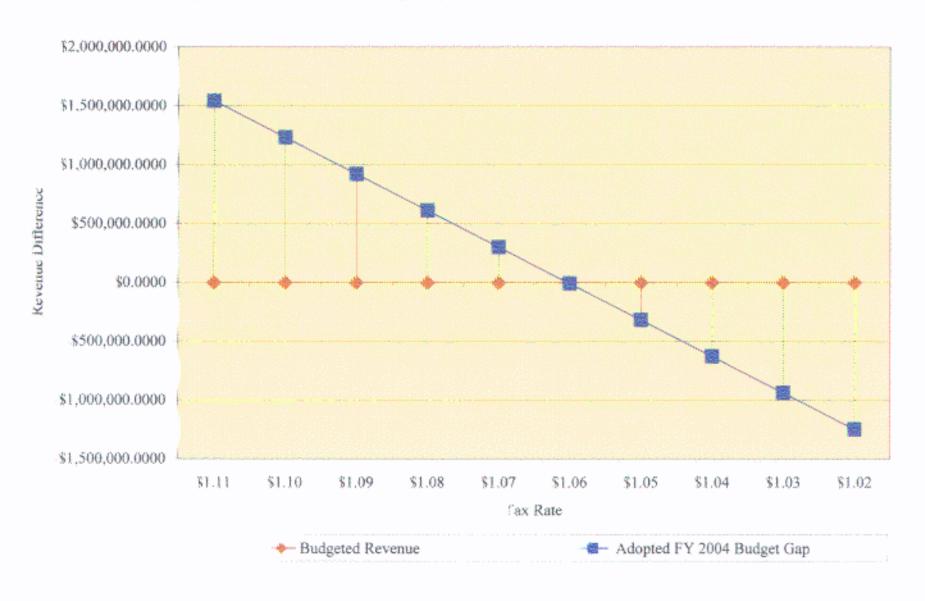
		BEST CASE		WORST CASE		
	TAX RATE	REVENUE	DIFF	REVENUE	DIFF	
BASED ON CURRENT APPEAL VALUES	\$1.11	\$34,960,014	\$2,092,495	\$34,410,000	\$1,542,481	
THIS ANALYSIS ILLUSTRATES	\$1.10	\$34,645,059	\$1,777,540	\$34,100,000	\$1,232,481	
DIFFERENT TAX RATES COMPARING TO	\$1.09	\$34,330,104	\$1,462,585	\$33,790,000	\$922,481	
THE TOTAL TAXABLE VALUE OF	\$1.08	\$34,015,149	\$1,147,630	\$33,480,000	\$612,481	
\$3,149,550,800	\$1.07	\$33,700,194	\$832,675	\$33,170,000	\$302,481	
	\$1.06	\$33,385,238	\$517,719	\$32,860,000	-\$7,519	
	\$1.05	\$33,070,283	\$202,764	\$32,550,000	-\$317,519	
	\$1.04	\$32,755,328	-\$112,191	\$32,240,000	-\$627,519	
	\$1.03	\$32,440,373	-\$427,146	\$31,930,000	-\$937,519	
	\$1.02	\$32,125,418	-\$742,101	\$31,620,000	-\$1,247,519	

\$1.0602

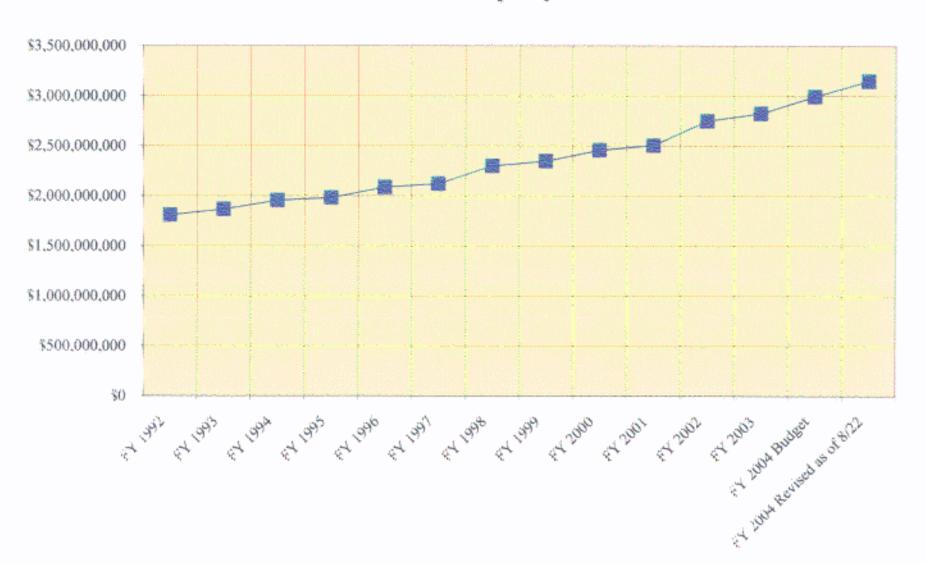
ASSUMING THAT NO ADDITIONAL VALUES ARE DECREASED,
THE TAX RATE COULD CHANGE AS SHOWN
TO EQUAL THE ADOPTED REVENUE IN THE FY04 BUDGET

\$1.0436

Gap Analysis for Real Property Assessed Value of \$3,100,000,000



Assessed Real Property Value



Gap Analysis for Real Property Assessed Value of \$3,149,550,800

